

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

INFO USMISSION EC BRUSSELS IMMEDIATE

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FOLLOWING REPEAT STATE 128171 ACTION SECSTATE OF JUNE 17, 1974.

QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: ETRD, GATT, EC

SUBJECT: NEW PRICE BREAK ON COGNAC

REF: PARIS 13888, 13190

1. EMBASSY MAY INFORM DREE THAT WE ARE WORKING ON IMPLEMENTING NEW PRICE BREAK BY JULY 1ST. BEFORE THE USG CAN IMPLEMENT PRICE BREAK HOWEVER THERE MUST BE A JOINT USEC PRESS STATEMENT ON AGREEMENT TO LOOK AGAIN AT CERTAIN PAST
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TRADE ACTIONS WITH THE AIM OF IMPROVING MARKET ACCESS FOR

VARIOUS PRODUCTS PARTICULARLY CHICKEN WAR ITEMS IN ORDER TO PROVIDE BASIS FOR PUBLICATIONS OF COGNAC ACTION. IF COMMISSION AGREES TO THE STATEMENT USG WILL BE PREPARED TO INFORM FRENCH EMBASSY IN WASHINGTON FOLLOWING:

(A) THE US GOVERNMENT IS INCREASING, BEGINNING JULY 1, 1974, FROM 9 DOLLARS TO 17 DOLLARS THE PRICE BREAK ON COGNAC IMPORTS (TSUS 168.20). THIS ARRANGEMENT IS PROVISIONAL AND HAS BEEN TAKEN AS A UNILATERAL ACTION BY THE UNITED STATES TO ENCOURAGE THE RESOLUTION OF OUTSTANDING TRADE DISPUTES IN THE CONTEXT OF THE RECENTLY ANNOUNCED REVIEW OF CERTAIN ASPECTS OF TRADE RELATIONS INCLUDING THE RESULTS OF THE CHICKEN WAR.

(B) THE USG IS WILLING TO RE-EXAMINE THE PRICE BREAK OF 17 DOLLARS ON COGNAC NEXT DECEMBER TAKING INTO ACCOUNT THE FOLLOWING FACTORS: 1) THE INCREASE IN THE PRICE OF COGNAC IN FRANCE DURING THE COURSE OF 1974;

2) TO CONTINUE TO PROVIDE RELIEF FOR THREE-STAR SOLD UNDER NORMAL CONDITIONS."

2. EMBASSY MAY SHOW PROPOSED STATEMENT TO DREE BUT SHOULD NOT SEEK SPECIFIC APPROVAL AS COGNAC ACTION IS UNILATERAL ACTION. EMBASSY SHOULD POINT OUT THAT STATEMENT TAKES INTO ACCOUNT FRENCH CONCERNS REFERRED TO IN REFTEL. PROPOSED SCENARIO HAS PURPOSELY BEEN LEFT VAGUE IN THOSE AREAS REQUESTED BY GOF. AS SPECIFICALLY REQUESTED BY THE FRENCH, THERE IS NO EXPLICIT LINKING OF DURATION OF PRICE BREAK AND REVIEW OF TRADE RELATIONS. ALTHOUGH FRENCH CLEARLY UNDERSTAND THAT DURATION OF U.S. COMMITMENT TO CONTINUE TO PROVIDE RELIEF FOR THREE-STAR COGNAC SOLD UNDER NORMAL CONDITIONS IS FOR ONLY TWO YEAR PERIOD, THERE IS NO MENTION OF TIME LIMIT. POSSIBILITY LEFT OPEN DEPENDING ON CONDITIONS FOR EXTENDING PERIOD OR FOR THAT MATTER, FURTHER IMPROVING THE QUALITY OF THE RELIEF OR EVEN PROVIDING A FULL RESTORATION OF THE CONCESSION. UNQUOTED SISCO

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